

BUSINESS KIWISAVER

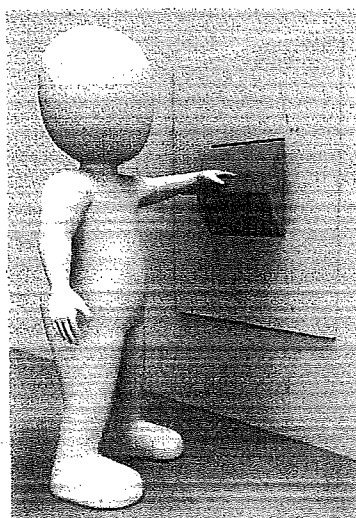


Illustration: Stuart Miles/123rf

IS . . . it easy to switch KiwiSaver funds?

SWITCHING A KiwiSaver fund or scheme is easy as: You can mostly do it online or by filling in a form.

The Sorted website tells us there are two ways of switching KiwiSaver funds. The first is switching the fund, but staying in the scheme you are already in. The second is to move both fund and scheme.

The KiwiSaver provider you are moving to will likely fall over themselves to help you – they make money out of it. Which raises the question: *Should* you switch?

The Sorted website has a calculator indicating how much a scheme will earn in fees off Kiwi-

Savers during their working lives. By the age of 65, for example, someone born in 1980 who started saving 3 per cent of their gross salary and gets a 3 per cent employer contribution, and who picks a balanced fund, will end up paying (roughly) between \$12,000 and \$30,000 in fees.

Sorted says good reasons to switch funds include realising you have picked a fund which is too risky for your tastes. Over the long run, higher-risk assets such as shares should outperform lower-risk assets such as bonds and cash – but if risk makes you anxious, a

lower-risk fund might be wiser.

As you get closer to spending your KiwiSaver money, switching to a stable, lower-risk fund becomes a driver.

Conversely, you may have realised you should be in a riskier fund likely to generate you a better long-run return.

There are the bad reasons to switch, too. Sorted only lists one: Greed.

You've read another of your provider's funds has been making higher returns than your fund, for instance. But past returns are no guide to future returns.

As for shifting schemes, there are also good and bad reasons. Good ones include finding a provider charging lower fees on funds with the same level of risk; not being able to understand your current provider's communications; better service or investment alternatives; or you have found a new provider that *consistently* outperforms yours.

Bad reasons include having been recommended a scheme by someone who will earn money for doing so, and shifting your KiwiSaver to your bank because it is easier to keep track of it.